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Implementation of and follow-up to major United Nations conferences and summits: follow-up to the International Conference on Financing for Development

Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 24 April 2006)

I. Introduction

1. The special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) was held on 24 April 2006. The overall theme of the meeting was "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and the 2005 World Summit Outcome". The meeting had before it a note by the Secretary-General (E/2006/48) that provided background information and raised a number of questions.

2. The 2006 meeting was preceded by extensive consultations within the Economic and Social Council, and between the President and members of the Bureau of the Council and the management of the Bretton Woods institutions, WTO and UNCTAD, as well as by separate meetings with the Executive Boards of the International Monetary Fund (IMF), the World Bank and UNCTAD. The President of the Council also met with the Chairperson of the General Council of WTO. During those meetings, the agenda and the format of the special high-level meeting were discussed and mutually agreed upon.

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3. The consultations resulted in agreement on four sub-themes that were the focus of substantive discussions in four parallel round tables that took place during the meeting. The four sub-themes were: (i) Implementation of and support for national development strategies towards the achievement of the internationally agreed development goals, including the Millennium Development Goals; (ii) Fulfilling the development dimension of the Doha work programme: next steps, including in the area of "Aid for Trade"; (iii) External debt: implementing and building on current initiatives to enhance debt sustainability; and (iv) Supporting the development efforts of middle-income developing countries.

4. The format of the meeting featured a brief opening plenary, including statements by the President of the Economic and Social Council, Ali Hachani; the Secretary-General of the United Nations, Kofi Annan; the Chair of the Development Committee, Alberto Carrasquilla; the President of the Trade and Development Board of UNCTAD, Ransford Smith; the representative of the Chair of the International Monetary and Financial Committee (IMFC), Agustin Carstens; and the Deputy Director-General of WTO, Valentine Rugwabiza. The opening plenary was followed by the round tables, which allowed for a free-flowing discussion among participants. A resumed afternoon plenary was devoted to reporting back on the round-table discussions and to further debate.

5. The co-chairs and lead discussants of the round tables were as follows: (round table A) Maria Luiza Viotti, Director-General of Humanitarian and Social Themes, Ministry of External Relations (Brazil) and Tom Scholar, Executive Director, IMF and World Bank (United Kingdom of Great Britain and Northern Ireland), as co-chairs, with Jeffrey Sachs, Director of the United Nations Millennium Project and Lee Kyu-hyung, Vice Foreign Minister (Republic of Korea), as lead discussants; (round table B) Eckhard Deutscher, Executive Director, World Bank (Germany) and Ransford Smith, President, UNCTAD Trade and Development Board, as co-chairs, with Bruce Montador, Vice-President, Canadian International Development Agency and Mia Horn Af Rantzien, Chairperson of the WTO Aid for Trade Task Force, as lead discussants; (round table C) Sri Mulyani, Minister of Finance (Indonesia) and Willy Kiekens, Senior Executive Director, IMF, as co-chairs, with Richard Manning, Chair of the Development Assistance Committee, Organization for Economic Cooperation and Development (OECD) and Dirk Bruinsma, Deputy Secretary-General, UNCTAD, as lead discussants; (round table D) Mohamed Nouri Jouini, Minister of Development and International Cooperation (Tunisia) and Leire Pajin, Vice-Minister, Secretary of State for International Cooperation (Spain), as co-chairs, with José Antonio Ocampo, Under-Secretary-General for Economic and Social Affairs, United Nations Secretariat, and Agustin Carstens, Deputy Managing Director, IMF, as lead discussants.

6. This year's meeting had a record number of participating executive and alternate directors of the Boards of the World Bank and of IMF. Other participants included ministers and vice-ministers of finance, foreign affairs and development cooperation and heads of international organizations, as well as high-level officials in the areas of trade, finance, development cooperation and foreign affairs (see E/2006/INF/1). Representatives of non-governmental organizations and the private sector also participated in the plenary meetings and round tables.

7. What follows is a summary of the salient issues discussed in the morning and afternoon plenary meetings and in the round tables. The summary reflects

observations, analyses, initiatives and recommendations put forward by participants in the course of the meeting. Several of them refer to possible themes that might be addressed by the Economic and Social Council in the future. In my concluding remarks, I suggested to start exploring how to enhance the impact of the dialogue and proposed to initiate consultations with all stakeholders in that regard. The summary is structured largely on the basis of the sub-themes mentioned above.

II. The global landscape and development cooperation

8. In the view of several participants, 2005-2006 was shaping up as a positive period for development. The world economy and all developing regions were growing; after the adoption of the Monterrey Consensus,[1] aid was on the increase; official debt relief was reducing debt servicing in a significant number of highly indebted countries; concrete progress in new and innovative sources of finance was taking place; and private flows to developing countries were expanding. Yet, the risks posed by the large and still growing global imbalances and the likelihood that a substantial number of countries would not reach the Millennium Development Goals persisted. While some countries were on track to reach those Goals, in many countries — particularly in Africa and Latin America — progress was still insufficient. Moreover, several speakers stressed that in contrast to the favourable developments in the financial area, advances in the international trade negotiations had been negligible.

9. A number of participants pointed out that 2005 had been a milestone year for the global partnership for development: the G-8 Summit at Gleneagles had agreed to a comprehensive package to support faster progress in Africa towards achieving the Millennium Development Goals; at the High-level Forum on Joint Progress towards Enhanced Aid Effectiveness in Paris, developed and developing countries had agreed to enhance aid effectiveness and reaffirmed their commitments to harmonize and align aid delivery; and the World Summit in New York had paid critical attention to development together with peace and security, human rights and reform of the United Nations. As a result, the process of implementing the international development agenda had taken a significant step forward.

10. Several speakers noted the gradual convergence of development cooperation institutions on the pursuit of internationally agreed development goals. It was essential to preserve and continue to build on that approach. It was particularly important to enhance coherence among those organizations that played a key role in assisting countries to achieve the Millennium Development Goals. According to numerous speakers, the danger that a substantial number of countries would not achieve the Goals by 2015 existed. Thus, stronger efforts were required by national authorities in recipient countries, by donors and by international organizations to ensure that policies and concrete measures as well as sufficient financial resources were in place.

11. Some representatives emphasized the role of the private sector as an engine of growth and development. Its full participation in the development process, as well

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

as that of civil society at large, was key to sustained economic growth and sustainable development. Indeed, the issue of participation by the country's citizens at all levels was important to achieve a widespread sense of ownership.

12. A number of speakers stressed that it was important that the membership of international organizations be representative of today's realities. They were encouraged that agreement had been reached in the International Monetary and Financial Committee to consider, at the annual meetings this autumn, concrete proposals to improve the distribution of IMF quotas to reflect significant changes in the weight and role of countries in the world economy. Several participants expressed the hope that other intergovernmental bodies would also consider the issue of voice and representation to render their own boards in tune with present realities. Such a measure would certainly strengthen development cooperation.

III. Implementation of and support for national development strategies towards the achievement of the internationally agreed development goals, including the Millennium Development Goals

13. Many discussants stated that truly owned national development strategies were the launching pad for development efforts, adding that such strategies should reflect the conditions in the respective country. In designing the national development strategy, it was crucial for policymakers to identify major roadblocks to development and the actions needed to remove them. In this context, room for manoeuvre and, hence, actual policy space were a key factor. It was also important to use a bottom-up approach so that all development actors participated in its implementation. Various participants presented a brief assessment of their own country's experience and concluded that in the long run human resource development was the central factor in economic and social progress. A number of representatives stressed that the strategy should cover all key areas and identify priorities along the internationally agreed development goals, including the Millennium Development Goals. Yet, some participants emphasized that the strategy should look far beyond the Goals. It was noted that objectives such as increasing employment and enhancing social cohesion should be a priority, since those two objectives were important per se and also were key to achieving other critical goals.

14. A successful implementation of the national development strategy, according to several discussants, required action on various fronts as envisaged in the Monterrey Consensus: sound macroeconomic framework to mobilize domestic resources and attract capital from abroad; good governance accompanied by the political will of authorities to take the actions and pursue the policies explicit in the strategy; involvement by different sectors of society; a fiscal budget that reflects priorities and measures envisaged in the strategy; secure international development financing, including alignment of donors' support with the priorities of the recipient country; and an overall "enabling" international environment, involving measures in the areas of trade and financial systems.

15. The danger of a proliferation of documents existed, according to some representatives. At the 2005 World Summit, Member States had resolved to adopt, by 2006, and implement comprehensive national development strategies to achieve

the internationally agreed development goals and objectives, including the Millennium Development Goals. Yet, there was no need for every country to develop brand new strategies. Countries could build on the existing national strategies, with the Goals being integrated in them. In this context, a number of participants expressed their support for the memorandum of understanding between the United Nations Development Group (UNDG) and the World Bank on incorporation of the Millennium Development Goals into the Poverty Reduction Strategy Papers (PRSPs).

16. Some discussants stressed the importance of result-oriented strategies. That required paying special attention to the country's implementation capacities and, hence, to technical assistance requirements. Along with sufficient funding, technical assistance to increase absorptive capacity was key to ensuring a more effective and efficient use of resources. It was noted that IMF, by working with finance ministers of donor countries, should be more proactive and play a more important role in helping to secure international development financing and in advising on how to close the possible financial gap in the national development strategy.

17. In the view of a number of representatives, the Economic and Social Council should become more effective in engaging counterparts dealing with finance and trade. A question was raised about a possible role of a reformed Council in fostering national development strategies. Some participants pointed out that the Council should promote cooperation between different stakeholders involved in the implementation of national development strategies. The Council could also play a more active role in reviewing and assessing implementation of agreed goals and commitments. Speakers noted that the new functions of the Economic and Social Council could play an important role to that end.

18. There was convergence of views that an increase in the volume, quality and effectiveness of aid was necessary. Despite the recent increases in official development assistance (ODA), several speakers stressed that substantial scaling-up was still needed. Actual disbursements by most donors were still below the 0.7 per cent target. Several discussants indicated that, where possible, it was important to shift from off-budget funding to through-budget funding. It was noted that the stability of aid flows was important and that multi-year funding could enhance the predictability of aid, thus facilitating a smoother implementation of the national development strategy. Regarding effectiveness, a number of participants emphasized that the Paris Declaration on Aid Effectiveness should be expeditiously implemented.

19. Some speakers felt that the Development Assistance Committee (DAC)/OECD, the United Nations and the World Bank should address the issue of herding of aid, which was going to be analysed next year in the Global Monitoring Report. It was also noted that in some donor countries the flow of aid from private sources — foundations, non-governmental organizations, private remittances — was not only increasing, but even exceeded ODA. Thus, it was suggested that given the importance of a continuing expansion of aid from private sources, the Economic and Social Council could play a role in that regard.

20. A large number of participants also pointed out the progress achieved in innovative sources of financing. It was a welcome development, particularly since financing from such sources would be additional to official flows through more traditional channels and might also be more stable. Many speakers expressed

support for continuing work on innovative sources of finance, including the expansion of pilot projects such as the air-ticket solidarity contribution and the International Financial Facility for Immunization. In that context, various representatives highlighted the importance of the recent conference held in Paris on that subject and the formation of the Leading Group on Solidarity Levies to Fund Development. The decision of the 2005 World Summit to operationalize the World Solidarity Fund established by the General Assembly was also welcomed.

IV. Fulfilling the development dimension of the Doha work programme: next steps, including in the area of "Aid for Trade"

21. Many participants reiterated that trade was an engine of growth. Trade liberalization as conceived in the Doha Development Agenda would benefit developing countries much more than aid. Most of the gains for developing countries would come from increased trade in agriculture. That would lift the lives of millions of poor who live in rural areas. Expanded market access for developing countries in agriculture as well as in manufacturing and services — particularly transitory movement of natural persons — was key to rapid increases in exports of developing countries. That would accelerate development and facilitate the achievement of the Millennium Development Goals. Several speakers stressed that international trade should be mainstreamed in the country's national development strategy, paying special attention to the role of the private sector since private entrepreneurs were usually the most dynamic agents in international trade. Some discussants noted the need for agreements and rules of the game on international trade that provided enough policy space to developing countries, in particular more vulnerable countries or countries with serious structural problems such as the least developed countries, landlocked developing countries and small island developing States.

22. In the view of several speakers, while the WTO Hong Kong Ministerial Conference in December 2005 had set ambitious deadlines, little progress had taken place in negotiations of the Doha Development Agenda. Unless major strides were achieved soon there was the possibility of failure, they added. It was critical that a judicious agreement in the international trade negotiations was achieved in the next few months since the Trade Promotion Authority in the United States was due to expire in the first half of 2007 and protectionist pressures were on the increase in a number of countries. The costs of failing to reach agreement would be high: developing countries would lose a major opportunity to open world markets for their exports and to redress imbalances in global trade relations; all countries would suffer as a result of a weakened WTO; and bilateralism would supplant multilateralism.

23. Notwithstanding, a large number of participants were of the view that with a great deal of work and political will a meaningful agreement on the Doha Development Agenda could be reached. According to many of them, the agreement should include substantial figures for reducing trade-distorting subsidies and an equivalent package on market access. Also, decisive progress was needed in anti-dumping and major advances were necessary in special and differential treatment. Indeed, only a decisive step in special and differential treatment would mean that

development — and not exclusively liberalization — was a key objective of the current multilateral trade negotiations. Several speakers noted that in a few elements of the Doha Development Agenda some progress had already taken place. At the WTO Ministerial Conference in Hong Kong, countries had agreed on the elimination of all export subsidies on cotton by the end of 2006, and there was an agreement to offer least developed countries (LDCs) duty-free and quota-free market access to 97 per cent of their products.

24. A number of representatives also pointed out that at the WTO Ministerial Conference in Hong Kong, "Aid for Trade" had been given official recognition as a key instrument for facilitating a smooth integration of developing countries into the international trade system. A task force on how to operationalize "Aid for Trade" among WTO members had been established and was already functioning well. "Aid for Trade" was a critical part in the development equation, according to numerous discussants. Many developing countries needed to enhance significantly their trade-related capacity and infrastructure to benefit from trade liberalization. Thus, it was stressed that "Aid for Trade" was not a substitute for fulfilling the Doha Development Agenda but a necessary and valuable component. It involved several elements or dimensions: technical assistance regarding knowledge of trade opportunities and how to benefit from them, including domestic regulation and policy; institutional capacity-building, particularly enhancing the customs system; infrastructure, including roads, ports and telecommunications; adjustment assistance to cope with transition costs such as preference erosion or higher agricultural prices. In this context, a number of participants emphasized that the focus of "Aid for Trade" should be development rather than market liberalization, and that paying special attention to supply capacities in recipient countries should be at the core of the initiative.

25. Some representatives stated that "Aid for Trade" should be built on the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, and that it should be tailored to the country's stage of development. A number of speakers pointed out that the financing of "Aid for Trade" should be additional, should involve no conditionalities and should be preferably in the form of grants. Also, efforts should be made to identify good practices and integrate "Aid for Trade" into the PRSPs. It was noted that three aspects required special attention when considering "Aid for Trade" in any individual country: the potential of medium-size enterprises; industrial clusters; and private sector involvement.

V. External debt: implementing and building on current initiatives to enhance debt sustainability

26. Many participants focused on debt sustainability. They stressed that developing countries needed sustainable debt levels to be able to make progress on the internationally agreed development goals, including the Millennium Development Goals. Debt relief had been extended to many countries, yet there was still a substantial number of highly indebted developing countries whose debts were not sustainable. Strengthened international efforts were, therefore, needed to consider and implement some form of debt restructuring or debt relief for such countries. Also, for numerous speakers, financing of debt relief efforts should be additional to already existing ODA commitments. There were convergent views

regarding the current benign environment in international capital markets. Notwithstanding, it was stressed that low spreads and ample access to capital should not lead to complacency, since the situation could reverse abruptly.

27. Several discussants pointed out that an unsustainable debt burden often arose as a result of borrowing on inappropriate terms or for inappropriate purposes. Thus, prudent management of debt flows was seen as critical. Some representatives highlighted the important contribution that the Bretton Woods institutions, and particularly UNCTAD with its programme for debt management capacity-building, were making in that field. In the view of some participants, debt-servicing problems could, on many occasions, be treated as a symptom and not as a cause of economic malaise. In that case, the emphasis should be put on policies conducive to sustained economic growth and good governance, including improvements in tax administration and tax collection. Yet, it was important to keep in mind that debt sustainability changed over time depending on countries' economic and political circumstances. It was noted that under current conditions a number of developing countries were accumulating reserves as a cautionary measure: avoiding debt-servicing problems in the future. That was proving costly as reserves were not being used for productive purposes. Some speakers stressed that debtors and creditors should share joint responsibility in working within a coherent and cooperative approach towards a more equitable and fair international financing architecture.

28. A number of participants stated that the provision of resources for the Multilateral Debt Relief Initiative (MDRI) and recent actions by the Bretton Woods institutions to implement that initiative were important steps to support poor countries to attain the Millennium Development Goals. Some speakers expressed concern for potentially adverse market responses to debt relief such as worse credit ratings and less access to finance, while others called for extending MDRI to other countries, including the involvement of additional multilateral development institutions. Several discussants called attention to the moral hazard, whereby countries with prudent debt management practices might be excluded from debt relief initiatives. Moreover, the fact that non-concessional lenders could emerge as free riders as a result of MDRI caused some unease among official lenders.

29. It was stressed that countries benefiting from MDRI should be vigilant in order to refrain from building excessive debts. Indeed, in order to avoid unsustainable debt burdens, grant financing and highly concessional borrowing had to be made available to developing countries, in particular those that were vulnerable to external shocks. It was noted that some of the highly indebted countries could use flexible mechanisms in the form of debt swaps for Millennium Development Goal projects which would not only reduce the debt burden but would also facilitate the achievement of the Goals. Several speakers expressed concern that MDRI might direct resources to a few selected countries. Debt relief for some comparatively large countries tended to distort aid numbers. The eventual role of emerging market donors was also highlighted. Some participants suggested taking up that issue as one of the agenda items of the newly established Development Cooperation Forum of the Economic and Social Council.

30. A number of representatives emphasized that the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative could help low-income countries to raise their standing in world markets. However, it was noted that the design of the HIPC Initiative, its transparency and the information on implementation modalities

had to be improved for the private sector to adequately price risk and consider new investments. Some participants also noted that existing frameworks to deal with debt problems of middle-income countries were insufficient; for example, the Evian Approach did not distinguish between solvency and liquidity, and concentrated exclusively on debt restructuring without considering debt relief. New debt instruments, according to some speakers, could be used to reduce the probability of future problems: the developments of domestic currency bond markets in borrowing countries could provide a cushion against the adverse effects of the reversal of capital flows and banking crises; and issuance of gross domestic product (GDP)-indexed bonds — which implied a bond with an interest coupon directly linked to the rate of GDP growth of the issuing country — could alleviate payments in difficult times.

VI. Supporting the development efforts of middle-income developing countries

31. Several speakers pointed out that a substantial number of middle-income countries had problems that were similar to those of low-income countries: pockets of urban and rural poverty; unemployment and underemployment; inequality and gaps in the provision of essential social services; and a large external debt. At the same time, middle-income countries were vulnerable to external financial shocks leading to macroeconomic instability and, on some occasions, to full-blown balance-of-payments crises. It was noted that significant differences existed among those countries regarding population levels, economic size, geography and stage of development. Therefore, their problems had to be assessed on a case-by-case basis and development cooperation should focus on each country's specificities.

32. Several representatives observed that in many quarters there was unease because of the persistence of serious socio-economic problems in some of those countries. Their economic growth in the last few decades had been precarious and they had achieved little or no progress towards increased equity. In the view of a number of participants, it was necessary to develop international support instruments to address such problems. The needs of all middle-income countries, including particularly the lower middle-income countries, had to be taken fully into account in the process. It was stressed that the United Nations, the Bretton Woods institutions and bilateral donors had an important role to play in the development of those support instruments. There was also an important role for the development banks, particularly the regional development banks, to support the development of financing mechanisms better targeted to middle-income countries.

33. Some discussants pointed to the crucial role of measures to enhance macroeconomic stability in middle-income countries since instability in the past had led to quite high social and economic costs. Such measures, they said, should focus on reducing risks and increasing space for counter-cyclical policies. Also, a number of participants remarked that international financial facilities to provide timely and adequate support during times of economic distress were essential. It was noted that mechanisms for pooling of reserves also needed further development. Some representatives observed that non-financial assistance to middle-income developing countries in the form of technical cooperation, including capacity-building, was also important, particularly in such areas as social protection and governance.

34. Several speakers said that a number of middle-income countries were experiencing high economic growth, and their weight in the world economy had risen considerably. Thus, there was a need to strengthen the voice and representation of those countries in the international financial institutions. Some discussants pointed out that in addition to strengthening their representation on the boards of those institutions, middle-income countries should also be equitably represented at the management level.

35. Numerous participants emphasized the need for special international financial support to target the poor within middle-income developing countries. What was required, according to those participants, was a programme under which finance could be obtained for specific social projects. Furthermore, there was a need to develop subnational financial instruments or mechanisms that could help to assist poorer regions within middle-income countries.

36. In the view of many representatives, policies to facilitate the development of the private sector were important for reducing poverty. In particular, there was a need for an enabling business environment, including good governance and sound legal and regulatory mechanisms that fostered transparency and the creation of new enterprises. The latter was a critical factor in providing productive employment. Numerous speakers stressed the importance of enhancing the mobilization of private capital to finance infrastructure projects of middle-income countries. International organizations, particularly multilateral development banks, could help to leverage private finance into that field. It was noted that, provided strong regulatory frameworks were in place, public-private partnerships could make a significant contribution. Also, the development of capital markets in middle-income countries had an enormous potential in the medium to long term to mobilize and attract private capital.

37. A number of representatives welcomed the forthcoming conference on international support for development of middle-income countries organized by the Government of Spain in cooperation with the United Nations. They looked forward to making progress on the issues discussed above. According to various participants, the conference would also be an opportunity to share successful experiences, including in technology transfer and South-South cooperation.

38. Indeed, in the view of several speakers, South-South cooperation in trade, finance and technology development needed strengthening. It was noted that common science and technology systems could be developed to facilitate technology transfer and upgrading. There were also calls upon developed countries to enhance their assistance to South-South cooperation and to expand their support for triangular cooperation.